

## CENTRAL INTELLIGENCE AGENCY

## INFORMATION REPORT

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COUNTRY	Hungary/USSR	REPORT	<input type="text"/>	25X1
SUBJECT	Soviet Control of Hungarian Economy and Industry	DATE DISTR.	26 February 1954	
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1. Inadequacy of Soviet Technical Assistance.

- a. The general quality of Soviet deliveries of raw materials, machine tools and precision instruments to Hungary does nothing to justify the exaggerated claims made by the USSR regarding the high degree of development and the general achievements of its industries.
- b. The iron ore delivered to Hungary by the Soviet Union has a high silicic acid content which makes pig iron manufacture from it virtually impossible. Tool steel sent to Hungary at the beginning of 1953, for the manufacture of tap borers, thread cutters and similar tools, was so faulty as to be useless. This steel had a high sulphur crystal content so that, even in its unhardened state, it was extremely brittle, and the cutting edges of tools made from it were continually breaking off.
- c. Soviet machine tools and instruments delivered to Hungary are crude, outmoded and uneconomical in use.
- d. Technological instructions and testing instruments issued by the Soviet Union are primitive. The cost of production in accordance with these instructions is invariably extremely high, partly because of the high proportion of wastage. This was particularly true in recent production of artillery projectiles.

2. Soviet Policy Directed Towards Maintaining Hungarian Economic Dependence.

- a. The USSR believes that Hungary and all other European Satellites would break away, as soon as a suitable opportunity occurred, as did Yugoslavia. Soviet political control of Hungary is basically directed towards preventing any group or individual from gaining a disproportionate following. It is principally for this reason that military and industrial personalities in key positions are replaced at relatively frequent intervals.
- b. The Soviet Union is concerned with seizing, as quickly and completely as possible, all commodities of strategic importance which she is unable to produce herself in sufficient quantities. This goes some way towards explaining why, for example, the Hungarians bauxite mining and smelting industry is in Soviet hands. The Soviet Union

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- 2 -

delivers to its Satellites only what is vitally necessary from her own strategic point of view, and only in quantities sufficient to maintain her claim that she is supporting their economies. In reality Hungary's economy suffers from Soviet control in that it is geared in all its phases solely to Soviet advantage.

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